

**DAFS**  
**STATE SURPLUS**  
**PUBLIC SALES & AUCTIONS**

**Cash Receipts Cycle**

**Note: This assessment covers cash receipts generated at public sales and auctions of state surplus property. It does not cover the sale of items to municipalities and nonprofits that occur sporadically throughout the year. See documentation of the Central Warehouse for coverage of these sales.**

**Risk: Cash receipts lost or stolen**

Key Controls:

1. Mail cash log kept by non-accounting personnel.
  - Not applicable. Payment for public and auction sales is made the day of the event. Very rarely do entities with credit accounts send payment in.
2. If cash registers are used, a person independent of the cashiers reviews register tapes daily for red flag items such as voids, refunds, no sales and discounts.
  - Not applicable
3. Cash log/register totals/manual receipts reconciled to deposits
  - After a public auction {but not a public sale}, Surplus Property staff creates an Invoice/Sales report which lists all invoices generated at the auction.
  - Invoices and sales slips generated at the public sales and auctions are entered in a spreadsheet by Senior Staff Accountant who reconciles with bank deposit.
4. Controllable licensing/authorizing documents (not pre-numbered receipts) accounted for and reconciled with cash receipts (Examples: hunting licenses, permits, vehicle registration numbers.)
  - Not applicable
5. Communication with customers/taxpayers regarding payment and balances
  - Not applicable- public sales and auctions require cash, credit card or cashier's check.
6. Timely Deposits with supervisory review
  - Deposits are put in the bank immediately following the public sale or auction.
  - Deposits are entered in TAMI at DFPS, after the public sale or auction. TAMI requires supervisory approval.
7. Physical security of receipts at all stages of handling and processing
  - Public sales- DFPS employee acting as cashier keeps cash receipts in a drawer of the desk where she is sitting. Cash receipts are never left unattended.

- Public auction- State Trooper is hired to stand next to Cashier at all times. The cashier is physically separated from the public by a cubicle wall. The Trooper also escorts the cashier to the bank to make the deposit.
8. Restrictive endorsement applied to checks immediately upon receipt
    - Done at both public sales and auctions.
  9. Manual receipts sequentially numbered, tracked and periodically accounted for
    - Pre-numbered sales receipts are used at public sales. The Managing Staff Accountant records and releases these to the cashier in preparation for a public sale. All receipts, used, unused and voided, are accounted for by the Managing Staff Accountant after each public sale.
    - Manual receipts are not used at public auctions. A computerized invoicing system is used to record sales. The printed invoice is marked paid and initialed by the DFPS cashier at the time of payment onsite. This invoice is then used as proof of payment to obtain the auctioned item purchased.
  10. Manual receipts physically secure at all times
    - Applicable to public sales only. Managing Staff Accountant keeps receipts locked in her desk drawer. Receipt tickets and actual cash receipts are attended at all times at a public sale.
  11. Receivables system adequately designed and operated to offer detection and prevention of lost or stolen cash receipts.
    - Not applicable to public sales or auctions- there are no receivables because no credit is extended.
  12. Payee on all checks received is “Treasurer, State of Maine”.
    - DFPS communicates this requirement to all customers and enforces it rigorously.

**Risk: Cash receipts recorded incorrectly in the accounting system**

Key Controls:

1. Detailed records kept on individual receipts/cash log
  - Sales slip or invoice presents details of items sold and sales price.
2. Period ending cutoff procedures ensure recognition in correct period
  - DFPS Senior Staff accountant monitors that entry in MFASIS is made in the same month as the bank deposit.
3. Procedures exist to ensure that all deposited receipts are recognized in the accounting system
  - Senior Staff Accountant reconciles public sales and auction records with deposits.
  - Office of State Treasurer does monthly reconciliation between bank and MFASIS records.
4. Reconciliation between federal cash draw system information and State accounting system information
  - Not applicable- none
5. Management compares budgeted receipts to actual receipts periodically
  - While State Surplus’s monthly GAAP financial statements do not present a budget-actual comparison, the monthly statements do present “this month-last month” and “this year to date – last year to date” comparisons.

Significant variances between expected results and actual results are investigated.

**Risk: Reconciliation insufficient to detect and deter lost or stolen receipts and to ensure receipts are properly recorded**

Key Controls:

1. Reconciliation performed and reviewed in a timely manner
  - Senior Staff Accountant immediately reconciles bank deposit with public sales and auctions records. For auctions the invoicing system generates reports listing all sales. These reports and copies of individual invoices are reconciled to deposits.
2. Standardized procedures exist and are communicated for reconciliation
  - Spreadsheet used for reconciliation is on DFPS Common drive and the same format is used every time there is a public sale or auction. This is performed by the Senior Staff Accountant who establishes the procedures.
3. Reconciliation documentation is reviewed by supervisor or other staff
  - Senior Staff Accountant, a supervisor, prepares the reconciliation. It is reviewed and approved by another supervisor.
4. Reconciliation documentation is retained for appropriate time period
  - Senior Staff Accountant retains sales slips for several years.
  - Reconciliation spreadsheet is retained for several years on DFPS Common Drive.
5. Variances are pursued and results acted upon in a rigorous and timely manner
  - Occasionally, variances are discovered during the Senior Staff Accountant's reconciliation {usually arithmetic or sales tax calculation errors}. Variances are discussed with staff who made the error to try to prevent future recurrence.
  - If the variance caused an overpayment or underpayment of more than a few dollars, DFPS would contact the customer, if possible, for correction.
6. Reconciliation performed by non-custodial staff
  - Senior staff accountant who reconciles public sales and auction sales records to bank deposit records very rarely works at public sales or auctions. In such instances the reconciliation reviewer is made aware of the situation.

**Risk: Segregation of duties insufficient to prevent and detect lost or stolen receipts and to ensure receipts are properly recorded**

Key Controls:

1. In relation to cash receipts, the following functions are performed by separate individuals and, ideally, under separate supervision:
  - a. Physical custody of cash
    - Cashiers at public sales or auctions are DFPS and Division of Purchases employees. At DFPS, it is usually the Account Clerk or Accounting Technician in the Internal Controls group that works at the Surplus Property sales and auctions.
  - b. accounting/recording of cash receipts

- DFPS Account Clerk who works at the public sales and auctions prepares the bank deposits and records the deposits in TAMI. This is thoroughly reviewed and reconciled by the Senior Staff Accountant. This review serves as a compensating control.

c. Reconciliation of accounting records to bank information and cash log (and subsidiary system if applicable)

- Reconciliations performed by Senior Staff Accountant.